



First – Time Home Buyer Seminar

*Presented by: **Northern Home Loans** (NMLS 2353898)*

The Cost of Renting

- \$2,855.00 = 1 month rent for 1-2 bedroom apartment
- 3% annual rent increase
- Approximate amount spent after 5 years: \$171,300.00
- Net equity gain: \$0.00
- Nothing to show for the rent spent after a 5 year period
- Limited to no tax deductibility



Advantages of Owning a Home

- Homes typically increase in value allowing for a long term financial investment
- Pride & joy of owning a home of your own
- The interest, property taxes and in most cases mortgage insurance is tax deductible (consult with your tax advisor)
- Your costs are predictable and more stable than renting because they're ideally based on a fixed-rate mortgage.
- Build equity



Renting vs. Owning

Purchase Price: \$350,000 | Down Payment: 3%

| <u>Monthly Payment Analysis</u> | | | | |
|---------------------------------|--|----|-------------|------------|
| | | | <u>Rent</u> | <u>Own</u> |
| Loan Amount | | | N/A | \$ 339,500 |
| Rate | | | N/A | 6.625% |
| Annual Percentage Rate(APR) | | | N/A | 6.737% |
| Term (months) | | | N/A | 360 |
| Principal & Interest (P&I) | | | N/A | \$ 2,173 |
| Property Tax | | | N/A | \$ 350 |
| Hazard Insurance | | | N/A | \$ 100 |
| Mortgage Insurance (MI) | | | N/A | \$ n/a |
| Total Monthly Payment | | \$ | 2,855 | \$ 2,623 |
| Est. Tax Benefit | | | 0 | \$? |
| Est. Net Payment after Taxes | | | 2,855 | \$ TBD |



Please note: All loan requests are subject to credit approval. MHP One

What Will My Monthly Payment Be?

- What will my mortgage payment include?
 - PITI / MI – Principal, Interest, Taxes, Insurance and in some cases, Mortgage Insurance

| PAYMENT BREAKDOWN | |
|--|-------------------------------|
| Term/Product | 30 Year - Fixed Rate Mortgage |
| Price/Value | \$ 350,000 |
| Interest Rate/Annual Percentage Rate | 6.625%/6.737% |
| Loan Amount (3% Down) | \$ 339,500 |
| P&I*** | \$ 2,173 |
| Property Tax | \$ 350 |
| Hazard Insurance: | \$ 100 |
| Mortgage insurance (MI): | \$ n/a |
| Total Monthly Payment | \$ 2,623 |
| ***Payments do not include amounts for taxes and insurance premiums (if applicable). | |
| Your actual payments may be greater. | |



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Home Buyer Road Map

- START: by attending a Home Buyer Seminar
- APPLY: for a Preapproval
- FIND: a Buyer's Agent
- SEARCH: Start searching for your new home
- OFFER: Make a strong offer
- INSPECT: Have a Home Inspection done
- NEGOTIATE: Based on the results of the Home Inspection
- CONTRACT: Have your draft P&S reviewed by an attorney
- SIGN: Your Purchase & Sale Agreement
- APPLY: For a mortgage
- APPROVED: Receive your lender's Commitment Letter
- CLOSE: Sign your loan documents
- OWNERSHIP!



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Ready to Buy?

- Do you have a steady income stream?
- Are you able to pay all of your bills on time?
- Do you have enough cash savings for a down payment?



Loan Application (1003)

- Mortgage Type & Property Information
- Borrower (s) Information
- Employment & Income
- Assets & Liabilities



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Mortgage Type and Property Information

| I. TYPE OF MORTGAGE AND TERMS OF LOAN | | | | | | |
|---------------------------------------|-----------------|------------------------------|---|---|---|--------------------|
| Mortgage Applied for: | | <input type="checkbox"/> VA | <input type="checkbox"/> Conventional | <input type="checkbox"/> Other (explain): | Agency Case Number | Lender Case Number |
| | | <input type="checkbox"/> FHA | <input type="checkbox"/> USDA/Rural Housing Service | | | |
| Amount \$ | Interest Rate % | No. of Months | Amortization Type: | <input type="checkbox"/> Fixed Rate | <input type="checkbox"/> Other (explain): | |
| | | | | <input type="checkbox"/> GPM | <input type="checkbox"/> ARM (type): | |

| II. PROPERTY INFORMATION AND PURPOSE OF LOAN | | | | | | |
|---|---------------|-----------------------|--------------------------|---|-------------------------------|---|
| Subject Property Address (street, city, state & ZIP) | | | | | | No. of Units |
| Legal Description of Subject Property (attach description if necessary) | | | | | | Year Built |
| Purpose of Loan | | | | Property will be: | | |
| <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain): | | | | <input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment | | |
| <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent | | | | | | |
| <i>Complete this line if construction or construction-permanent loan.</i> | | | | | | |
| Year Lot Acquired | Original Cost | Amount Existing Liens | (a) Present Value of Lot | (b) Cost of Improvements | Total (a + b) | |
| | \$ | \$ | \$ | \$ | \$ | |
| <i>Complete this line if this is a refinance loan.</i> | | | | | | |
| Year Acquired | Original Cost | Amount Existing Liens | Purpose of Refinance | Describe Improvements | <input type="checkbox"/> made | <input type="checkbox"/> to be made |
| | \$ | \$ | | Cost: \$ | | |
| Title will be held in what Name(s) | | | | Manner in which Title will be held | | Estate will be held in: |
| | | | | | | <input type="checkbox"/> Fee Simple |
| Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain) | | | | | | <input type="checkbox"/> Leasehold (show expiration date) |



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Borrower Information

| Borrower | | | | III. BORROWER INFORMATION | | | | Co-Borrower | | | |
|--|---------------------------------|--|-------------|--|---------------------------------|-------------------------------------|-------------|--|--|--|--|
| Borrower's Name (include Jr. or Sr. if applicable) | | | | Co-Borrower's Name (include Jr. or Sr. if applicable) | | | | | | | |
| Social Security Number | Home Phone (incl. area code) | DOB (mm/dd/yyyy) | Yrs. School | Social Security Number | Home Phone (incl. area code) | DOB (mm/dd/yyyy) | Yrs. School | | | | |
| <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include <input type="checkbox"/> Separated single, divorced, widowed) | | Dependents (not listed by Co-Borrower) | | <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include <input type="checkbox"/> Separated single, divorced, widowed) | | Dependents (not listed by Borrower) | | | | | |
| | | no. | ages | | | no. | ages | | | | |
| Present Address (street, city, state, ZIP) | | | | <input type="checkbox"/> Own | <input type="checkbox"/> Rent | No. Yrs. | | Present Address (street, city, state, ZIP) | | | |
| | | | | <input type="checkbox"/> Own | <input type="checkbox"/> Rent | No. Yrs. | | | | | |
| Mailing Address, if different from Present Address | | | | Mailing Address, if different from Present Address | | | | | | | |
| <i>If residing at present address for less than two years, complete the following:</i> | | | | | | | | | | | |
| Former Address (street, city, state, ZIP) | | | | <input type="checkbox"/> Own | <input type="checkbox"/> Rent | No. Yrs. | | Former Address (street, city, state, ZIP) | | | |
| | | | | <input type="checkbox"/> Own | <input type="checkbox"/> Rent | No. Yrs. | | | | | |

Employment & Income

| Borrower | | IV. EMPLOYMENT INFORMATION | | Co-Borrower | | |
|---------------------------------|--|---|--|---------------------------------|---|--|
| Name & Address of Employer | <input type="checkbox"/> Self Employed | Yrs. on this job | | Name & Address of Employer | <input type="checkbox"/> Self Employed | |
| | | Yrs. employed in this line of work/profession | | | Yrs. employed in this line of work/profession | |
| Position/Title/Type of Business | Business Phone (incl. area code) | | | Position/Title/Type of Business | Business Phone (incl. area code) | |

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

Freddie Mac Form 65 7/05

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Fannie Mae Form 1003 7/05

| V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION | | | | | | |
|---|----------|-------------|-------|----------------------------------|---------|----------|
| Gross Monthly Income | Borrower | Co-Borrower | Total | Combined Monthly Housing Expense | Present | Proposed |
| Base Empl. Income* | \$ | \$ | \$ | Rent | \$ | |
| Overtime | | | | First Mortgage (P&I) | | \$ |
| Bonuses | | | | Other Financing (P&I) | | |
| Commissions | | | | Hazard Insurance | | |
| Dividends/Interest | | | | Real Estate Taxes | | |
| Net Rental Income | | | | Mortgage Insurance | | |
| Other (before completing, see the notice in "describe other income," below) | | | | Homeowner Assn. Dues | | |
| | | | | Other: | | |
| Total | \$ | \$ | \$ | Total | \$ | \$ |

* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income

Notice: Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

| B/C | | Monthly Amount |
|-----|--|----------------|
| | | \$ |
| | | |
| | | |

VI. ASSETS AND LIABILITIES



Please note: All loan requests are subject to credit approval.

Assets & Liabilities

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant's spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed Jointly Not Jointly

| ASSETS | Cash or Market Value | | |
|---|----------------------|--|---|
| Description | | Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property. | |
| Cash deposit toward purchase held by: | \$ | | |
| <i>List checking and savings accounts below</i> | | LIABILITIES | Monthly Payment & Months Left to Pay |
| Name and address of Bank, S&L, or Credit Union | | Name and address of Company | \$ Payment/Months |
| Acct. no. | \$ | Acct. no. | \$ |
| Name and address of Bank, S&L, or Credit Union | | Name and address of Company | \$ Payment/Months |
| Acct. no. | \$ | Acct. no. | \$ |
| Name and address of Bank, S&L, or Credit Union | | Name and address of Company | \$ Payment/Months |
| Acct. no. | \$ | Acct. no. | \$ |



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Pre-Approval Process

4 C's used to determine Mortgage Approval



Pre-Approval Process (cont'd)

Documents needed for Preapproval

- **Most recent paystubs (30 days)**
- **2 years w-2's (most recent)**
- **Last 2 years tax returns**
- **2 months of bank statements (most recent)**



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Pre-Approval Process (cont'd)

Financing Options:

- Conventional Loans
 - Fixed Rate
 - Adjustable Rate
- Government-Backed Loans (FHA & VA)
- MassHousing Mortgages
- Adjustable Rate Mortgages (ARM)
- Mortgage Insurance (MI | PMI)
- Discuss different program benefits with your loan officer.
- Submit application
- Receive your Preapproval Letter



Protect Your Credit Rating

Once you have applied DO NOT

- Have your credit pulled for any reason
- Open any new credit
- Charge any big ticket items
- Shop for furnishings for your new home
- Close any credit cards
- Pay-off or pay down any accounts without consulting with your Loan Officer.



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Find a Buyer's Agent to help you Shop for your dream home



- Single Family
- Multi – Family
- Condominium



Make & Negotiate Offer

- The negotiation process of an offer made may take some time and go back and forth before a deal is reached.
- Your Buyer's Agent is the best person to help you in this process.



Get a Home Inspection

- Home Inspections are an important part of the home buying process
- Qualified home inspectors work with buyers to help you learn more about the home you are purchasing, and help decide whether or not to move forward.



Signing the Purchase & Sale Agreement (P&S)

- Home Inspection results are discussed and an opportunity may arise to renegotiate, which should be included in the P&S.
- Before signing the P&S, have lender's attorney (or your own attorney) review and add Buyer's Addendum.
- Commitment and closing dates are agreed upon and are included in the P&S.



Financing



Application / Disclosures

- Uniform Residential Loan Application (1003)
- Loan Estimate (LE)



Appraisal

- Estimated market value of the subject property

Title Work

- Ensures the property has a clean ownership history

Processing

- All required documents are collected & organized

Underwriting

- Verification of documents to ensure eligibility

Receive Mortgage Approval *(Commitment Letter)*

- Your lender issues you your Commitment Letter
- Discuss any Approval Conditions with your Loan Officer.
- You may want to get an extension to protect your deposit.
- Any and all remaining conditions are sent to underwriting for final review
- Your loan is 'cleared to close'

Closing

- The closing will take place at an agreed upon location. (Registry of Deeds, Attorney's Office, or local Real Estate office).
- All final closing documents are to be signed and all monies are collected

CONGRATULATIONS!! You are now the owners of a new home!





Northern Bank's Guide to Homeownership

1. Submit Preapproval Application
2. Receive your Preapproval
3. Choose a Buyer's Agent
4. Shop for your dream home
5. Make an offer
6. Get a home inspection
7. Have draft P&S reviewed by an attorney
8. Sign a Purchase & Sale Agreement (P&S)
9. Receive Mortgage Commitment Letter
10. Close and move into you new home

Please note: All loan requests are subject to credit approval.

Need More Information?

Call or e-mail me anytime!

Donna Koulas

Assistant Vice President/Residential Loan Officer

606 Main Street, Suite 2001

Reading, MA 01867

Phone: (978) 689-5267

E-mail: dkoulas@northernhomeloans.com

NMLS: 697227

Start your Preapproval now by logging in to:

www.nbtc.com/dkoulas.html



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